

This record is a partial extract of the original cable. The full text of the original cable is not available.

252322Z Jul 05

C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003141

SIPDIS

WASHINGTON PASS AIT/W

E.O. 12958: DECL: 07/25/2015

TAGS: [PGOV](#) [PREL](#) [TW](#)

SUBJECT: DOD CHINA MILITARY REPORT DEMARCHE TO TAIWAN NSC
AND MND

REF: A. TAIPEI 133146

[B](#). TAIPEI 3097

[C](#). TAIPEI 3030

Classified By: AIT Deputy Director David J. Keegan, Reason 1.4 b

[1](#). (C) AIT presented the DOD China Military Report demarche to National Security Council (NSC) Secretary General Chiou I-Jen and Vice Minister of National Defense (VMND) Michael Tsai (Ming-hsien). Both expressed appreciation for and

SIPDIS

concurrence with the report, and both said they are working to increase Taiwan's regular defense budget to around three percent by 2008. Taiwan's impending National Security Report will reinforce the DOD report, and any mention of counterstrike measures will be clearly for purposes of delaying a PRC attack on Taiwan and not aimed at the mainland civilian population. Action Request: Chiou asked for Taiwan access to see information from the classified annex of the 2005 DOD China Military Report. End Summary.

DOD China Military Report Demarche

[2](#). (C) The Deputy Director met with NSC Director Chiou I-Jen and VMND Michael Tsai on July 21 and 22 to present the 2005 DOD China Military Report demarche as instructed (Ref A). Both men expressed appreciation for the DOD report and emphasized that Taiwan fully concurs with its findings. Chiou noted that Taiwan's view of PRC military development closely tallies with the DOD Report. Chiou, who was accompanied by NSC Deputy SecGen Henry Ko (Cheng-heng), told the Deputy Director that he hopes the DOD report will help Taiwan authorities educate Taiwan political leaders on the realities of the security situation Taiwan faces and the importance of enhancing the regular defense budget and passing the long-stalled Defense Procurement Special Budget.

[3](#). (C) VMD Tsai expressed appreciation for the briefing and for the report itself. He noted that he had arranged for a one-day rush translation of the report into Chinese, with the permission and support of ASD Peter Rodman. Tsai told the Deputy Director he had already read the Preface and the last two chapters, and found this year's report more comprehensive than last year's. For example, this year the alternate attack scenarios on Taiwan were both reduced from seven to five and appeared more realistic. Tsai said he had gained a more comprehensive understanding of PRC military build-up in the near term, including its capabilities against Taiwan and other nations in the region, including Japan, Australia, and Southeast Asian nations.

[4](#). (C) Tsai pointed to the more indirect threat from the PRC's three-pronged "soft power" strategy against Taiwan -- legal, psychological and opinion warfare. Legally, the Anti-Secession Law was designed to give China legal authority to deploy "non-peaceful measures" against Taiwan. Psychologically, Beijing has embarked on united front tactics (tongzhan) to entice opposition political leaders, business people, and farmers. Taiwan has a responsibility, Tsai said, to defend itself and to maintain peace. Noting that 80 percent of the PRC's oil passes through the Taiwan Strait, Tsai said peace in the Strait is also important to China.

SIPDIS

Maintaining a regional security dialogue with Japan, the U.S. and other neighbors in the region, Tsai told the Deputy Director, is a top priority for Taiwan.

Increasing the Defense Budget

[5](#). (C) Chiou told the Deputy Director that the Taiwan government hopes to increase the regular defense budget over the next three years to reach three percent of GDP by 2008. VMND Tsai reported that President Chen has indicated he supports consideration of a gradual increase in the regular defense budget to three percent; now the real challenge facing MND is to convince Premier Frank Hsieh and the

Executive Yuan (EY). Increasing the defense budget, however, will necessitate cuts elsewhere and arouse protests from other government agencies. For this reason, Tsai noted, MND had turned to the Special Budget mechanism to finance the three-part package now stuck in legislative limbo. This week, Tsai will propose to the EY that the Special Budget components that do not pass the LY be funded out of the regular budget. In response to the Deputy Director's statement of U.S. concern over other defense procurement issues, notably ammunition, Tsai stated MND is currently assessing these needs and will discuss with the U.S.

16. (C) Chiou opined that there is still a possibility the long-stalled Defense Procurement Special Budget will be approved by a Legislative Yuan (LY) Special Session this summer. Speaker Wang Jin-pyng, he said, "wants to help" and is working on a mechanism for getting the Special Budget through the Special Session. (Note: Chiou's information proved overly optimistic; at almost the same moment Chiou was insisting on Wang's willingness and the likelihood for passage, Wang himself was telling the Director there was no way the Special Budget would pass in the Special Session; see Ref B). Noting that PFP legislator Lin Yu-fang had announced July 21 that he was changing his position and will now support discussing the Defense Procurement Special Budget in the regular LY session beginning September, the Deputy Director asked if this shift by a long-time critic of the Special Budget would make a difference. Tsai responded that the Special Budget is still up in the air and while Wang may be amenable, Lin's PFP and its Chair, James Soong, continue to oppose the Special Budget.

Taiwan's National Security Report

17. (C) The Deputy Director asked both Chiou and Tsai about the status of Taiwan's National Security Report (NSR) due out later this summer (see Ref C). Chiou explained that the report is still in the drafting-revision stage, with NSC, MND and National Security Bureau (NSB) working to integrate the various proposed changes into a draft that will be submitted to President Chen Shui-bian. The President will then hold a formal National Security Meeting, the first of his five years as President, Chiou explained. The draft NSR view of the pace of PLA development, Chiou noted, is similar to that of the DOD report. When the Deputy Director urged that AIT be allowed to review the document before completion, Chiou assured that AIT will have access.

18. (C) The Deputy Director asked whether the NSR will include counterattack measures (fanzhi, see Ref C). Chiou responded affirmatively, explaining that deterrence to Taiwan means providing time. Additional time, Deputy SecGen Ko interjected, will make the PRC hesitant to use force because it will increase the possibility of outside intervention. Ko, however, assured that Taiwan will not deploy counterattack measures until it has consulted with the U.S. VMND Tsai separately explained that Taiwan is focusing on countermeasures to prolong an attack on Taiwan. Countermeasures, Chiou stressed, will not be used to attack PRC population centers, but rather military bases, missile sites, and radar installations. Nor will Taiwan fire the first shot, but when hit it will respond in self defense to slow down the pace of attack.

19. (C) The Deputy Director raised the issue of resource efficiency, noting that development of new weapons systems is a very expensive proposition and that the development and production of domestically produced counterattack systems currently envisioned would divert money from direct defense. Tsai responded that sometimes deterrence is cheaper and more

SIPDIS
efficient than defensive weapons. Counterattack, he argued, is both more efficient and adds more to defensive capability, whereas defensive weapons are more expensive to maintain than offensive weapons.

Comment

10. (C) The publication of the DOD report has been enthusiastically welcomed by the Taiwan authorities, who have immediately insisted that it confirms their own claims of a China threat. This emphasis on a China threat has been used both to justify delaying improvement in cross-Straits economic linkages and to criticize the Pan-Blue opposition as being pro-China and, therefore, anti-Taiwan. AIT will continue closely monitoring the NSR as it moves forward in the drafting stage, and pressing for access. Providing Taiwan officials with access to information from the classified annex of the 2005 DOD China Military Report would increase our leverage in pressing for access to the NSR draft.

11. (C) Action Request. Please provide response to Taiwan request for information from the classified annex to the DOD report.

